



GOVERNOR ARNOLD SCHWARZENEGGER

June 23, 2008

The Honorable Christopher J. Dodd
Chairman
Banking, House and Urban Affairs Committee
United States Senate
Washington, DC 20510

The Honorable Barney Frank
Chairman
Financial Services Committee
U.S House of Representatives
Washington, DC 20515

The Honorable Richard C. Shelby
Ranking Member
Senate Banking, House and Urban Affairs Committee
United States Senate
Washington, DC 20510

The Honorable Spencer Bachus
Ranking Member
Financial Services Committee
U.S House of Representatives
Washington, DC 20515

Dear Chairman Dodd, Senator Shelby, Chairman Frank and Mr. Bachus,

I appreciate your efforts in finalizing housing and mortgage market reform legislation. Enactment of this legislation is of critical importance to California and the nation's economy.

My top priority in the continuing federal debate over housing reform and market stabilization is making permanent the temporary loan limit increases as implemented in the Economic Stimulus Act of 2008. On a nearly unanimous and bipartisan basis, the members of the California congressional delegation firmly believe these provisions must be extended permanently to ensure millions of families in California and nationwide have access to safe and affordable mortgage products that are offered through the Federal Housing Administration (FHA), Fannie Mae and Freddie Mac.

In California, our above-average housing costs have all but eliminated access to safe and financially sound FHA loans. From 2001 to 2006, FHA loans in California dropped by 98 percent, a loss of \$13.6 billion in much-needed mortgage liquidity for California homebuyers. The lack of affordable loan products required the typical California family headed by schoolteachers, truck drivers, nurses, police officers, firefighters, retailers, construction workers and countless members of the blue collar workforce to turn increasingly to less financially sound loan products to achieve their dream of home ownership.

There were undoubtedly abuses by lenders and borrowers that have contributed to the depth of this housing downturn, but the underlying problem of limited access to affordable and sound mortgage products cannot be dismissed. The temporarily higher loan limits for FHA, Fannie Mae and Freddie Mac have helped bring some stability to the housing sector and have made access to these loan products more broadly available in areas of the country that have been increasingly shut off from this federally supported option.

The Honorable Christopher J. Dodd
The Honorable Barney Frank
The Honorable Richard C. Shelby
The Honorable Spencer Bachus
June 23, 2008
Page two

I am encouraged that the Senate has moved closer to the House position on loan limits and has ended its call to limit the types of loans that Fannie Mae and Freddie Mac can hold in their portfolios. These are both extremely positive developments. However, I remain concerned that Senate legislation still proposes lower loan limits and stricter eligibility restrictions, which would have the effect of denying far too many Americans access to safe and affordable federally insured mortgage products.

Nationwide, more than 50 million people in the District of Columbia and portions of California, Colorado, Connecticut, Florida, Idaho, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Utah, Virginia and West Virginia live in areas that would exceed the limits proposed by the Senate. More homeowners in these areas deserve the same access to federally insured mortgage products that is available to their fellow Americans across the country.

Accordingly, I strongly support provisions of the recently passed House bill that would make permanent both the temporary loan limit of \$729,750 and the existing eligibility calculation of 125 percent of an area's median home price contained in the Economic Stimulus Act of 2008.

I look forward to further work with you and the California delegation to ensure equal access to federally insured mortgage products for as many homeowners as possible, now and in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Arnold Schwarzenegger", with a stylized, cursive script.

Arnold Schwarzenegger

cc: The Honorable Harry Reid
The Honorable Mitch McConnell
The Honorable Nancy Pelosi
The Honorable John A. Boehner
Members of the California Congressional Delegation